

AMERICAN MANAGEMENT ASSOCIATION
BOARD OF DIRECTORS

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The MANAGEMENT REVIEW

July, 1934

The Consumer Under the National Industrial Recovery Act *

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Columbia University

THE National Industrial Recovery Act marks a fundamental change in the American attitude toward the proper relations between industry and the state. Until 1933 industry was regulated by anti-trust laws that rested on the belief that if competition could be preserved the consumer would be automatically protected. Competition would force prices down until they yielded only a fair margin of profit above the costs of efficient producers. Competition, moreover, was expected to supply a constant stimulus to seek improved methods of production, the benefits of which would in turn be passed on to consumers.

This policy has failed in large part because of changes in methods of production. Mass production involves heavy investments in equipment of a specialized type which can be economically used only if it is fully employed over a period of years. Whenever firms find themselves with unused plant capacity, there is a temptation to cut prices in order to obtain a greater volume of production. As this so-called "cut-throat" price competition may involve heavy losses, there has been a tendency to limit price competition in order to avoid these losses. Because the anti-trust laws prohibited agreements concerning prices and output, it was necessary to find other means of avoiding price wars. In some industries price competition was limited by price leader-

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ship and in others by trade associations. In a few there has been a tacit understanding to share the market, in the sense that firms have not attempted to increase their share of the total business in the industry. In others basing point systems have been adopted to secure uniformity of prices. In many, attempts have been made to stabilize prices. Thus even under the anti-trust laws competition gave place to a mixture of competition and semi-monopoly in these indirect forms.

The principal disadvantage of developments of industrial policy in this direction is that it is difficult to draw a line between destructive and undesirable price competition and competition which is desirable and even constructive. It is also evident now that under this regime of embryonic planning for whole industries a great quantity of unwise investment was made. The avoidance of price competition sometimes led to considerable profits which provided both the means and the inducement to expand investment, although subsequently it became evident that the expansion had been unwise. The general modification of price competition also reduced the prospect of the elimination of the least efficient firms. In both these ways the cost of production tended to be increased, and even where prices did not yield high profits, the consumer was insufficiently protected.

The National Industrial Recovery Act represents a very different point of view. It suggests that the trends away from price competition are so persistent that it is preferable to bring them out into the open. The indirect methods of providing for cooperative control of whole industries under the anti-trust laws are replaced by codes of fair competition for each industry. The Recovery Act also rests upon the principle that control of each industry cannot be placed absolutely and finally in the hands of producers in that industry. The most obvious danger in giving such power to producers lies in the probability that they will seek to profit by restricting the output of their industry. Thus, while reducing the total produce of society as a whole, they would seek to gain by obtaining a larger share of a smaller total. Where arrangements are made for this group control of each industry to be established in all industries simultaneously, this danger of monopoly policies is obviously greatly increased. If every industrial group seeks to benefit at the expense of every other, there is a serious danger of progressive reduction of the output of society as a whole, and therefore of general impoverishment.

Even if industry groups realize the danger of pursuing such a policy, it is extremely difficult to imagine the adoption in each industry of a policy calculated by reference solely to the general social interest. It is extremely difficult for those in any one industry to work out such a policy, and it is extremely improbable that they will pursue it. There is also the further difficulty that policies devised in different industries will not represent a uniform attitude to the desirable social policy and will, therefore, conflict. In the third place, therefore, the National Industrial Recovery Act not only

accepts the necessity for government supervision of the policies adopted by industry groups, but also accepts the necessity, of exercising this power of supervision only after taking into account the interests of the three main groups interested in industry, namely, investors and managers, workers and consumers. The acceptance of this principle is indicated by the establishment of three advisory boards to present to the recovery administrator the views of these three interests.

The mechanism established under the Act provides, therefore, for the government to supervise the conduct of each industry in order to prevent any one group seeking profit at the expense of other groups, particularly by the restriction of output; it offers opportunities for coordinating policies of different industries; and finally, it was intended to facilitate the acceleration of production. This latter end was to be sought by the general control of wage policy and methods of competition; it was difficult for any firm or industry to introduce changes likely to be in the general social interest in the absence of an assurance that a similar policy would be followed by other firms or in other fields. The outcome of the establishment of this type of social control depends of course entirely upon the manner in which it is used. The two most important aspects of the policy pursued by the Administration under the Act are its policy with regard to wages and with regard to prices. It is, however, only with the latter that we are here concerned.

The success of the attempt to stimulate business activity depends partly upon the extent to which prices are raised, and it is this aspect of the Recovery Act which is of primary interest to the consumer. Between March and July, 1933, the index of wholesale prices increased about 15 per cent and between March, 1933, and February, 1934, by 23 per cent. These figures are, however, a poor indication of the behavior of prices under the influence of the Recovery Act. They are mere general averages and the prices of some products, such as lumber, textiles and certain building materials, have increased very much more than the average. Within some industries the prices of the types of product most commonly used have been increased very greatly, while prices of many of the less important types of product have increased very little. Actual prices, moreover, have increased more than the quotations upon which the index number is based because of the elimination or reduction of quantity, trade and cash discounts and many other allowances and departures from the quoted price.

These increases in price have been attributed to various causes. It has commonly been said that producers must be expected to raise their prices by an amount sufficient to cover the increase in their labor costs. It is evident, however, that prices in some industries have been raised considerably more than is necessary to cover these increases in labor costs. The National City Bank reports, for instance, that 1,475 manufacturing and trading companies incurred a deficit of 97.1 million dollars in 1932 but made a profit of 660.6

million dollars in 1933. It is well known that a considerable part of this increased profit was obtained in the latter part of 1933. Doubtless part of the profit was due to the fuller utilization of plant, part to increases in the general efficiency of business owing to drastic reorganizations made under the stimulus of the depression, but a considerable part must have been due to increases in prices. It is obvious, moreover, that if prices are permitted to increase as much as wage costs, it will not be possible to sell any more goods than before and therefore no general recovery can be secured.

Reference to statistics of the volume of output shows, however, that there has been an increase in output and sales in spite of these increases in prices. Between March and July, production generally increased about 71 per cent. Although during this period sales did not keep pace with production, with the result that inventories tended to increase, there was a considerable increase in sales. In part these increases in prices and output were due to attempts to avoid the increased costs expected to result from the Recovery Act when it became operative. As sales could not be maintained at the July level at the prices then prevailing, a choice was made generally in business to maintain, and, as we have seen, somewhat to increase prices, but to reduce production to the amount that could be sold at the higher prices. In consequence, by February, 1934, production was only about 37 per cent above what it had been in March, 1933. If it is claimed that at least the Recovery Act must be given the credit for this increase in the amount of goods and services available, it must be pointed out that in large part larger sales at higher prices were made possible by large amounts of purchasing power distributed by the federal government through the Agricultural Adjustment Administration—mainly in the form of crop restriction payments; through the Civil Works Administration; the Civilian Conservation Corps' and more recently, the Public Works Administration. It is quite possible that the principal effect of the Act during the first six months of its operation was to offset in part the activities of these other branches of the government by the stimulus it gave to the raising of prices.

If it is desired to protect the consumer from these increases in price, it is necessary to look to the policy of the Administration to discover those aspects of its policy that have mainly stimulated the increase. The codes of fair competition approved under the Act have not in general authorized direct control of prices and output. Such direct control has been permitted only in the natural resource industries and a few others. It was, however, hoped when the Act was passed that such direct control would be approved and a model code of fair competition, drawn up by the National Association of Manufacturers, provided for the fixing of prices and the allocation of output.

A number of the codes provide for restrictions upon the hours of plant operation. The cotton textile industry led the way in securing the restriction

of mill operation to two shifts of forty hours a week, and a number of other codes contain similar restrictions. As the industry as a whole was equipped to produce in these two shifts as much as had been formerly produced, this clause did not result in any restriction of total output. It operated rather to redistribute the existing output between mills. More recently, however, a number of industries have been authorized either to reduce the length of the shift or the number of days of production in order to prevent excessive inventories. In other words, this clause is now being used to permit the adjustment of output to existing prices.

The two most common clauses in the codes affecting prices are those prohibiting sales below the cost of production and those providing for "open prices." The clauses prohibiting sales at prices which do not cover the cost of production vary somewhat in form. In general, however, they raise the question whether it is desirable to provide that prices shall always cover costs. If this end could be attained no firm would ever fail. In many industries, however, it is provided that the minimum price shall be set by reference to the cost of production by the most efficient firm. Even so, it is necessary to inquire whether this firm is reasonably efficient. The most difficult problem is that of deciding how to treat overhead costs. If a firm operating at 50 per cent of its full capacity is permitted to include the costs of unused as well as used plant in its cost and to set prices by reference thereto, prices must cover the cost of twice as much plant as is necessary to produce the current output. It is clearly undesirable for producers to be permitted to charge consumers prices that save producers from losses even though they keep a considerable part of their plant out of use. Where minimum prices are set by reference to average costs, or the costs of a "representative firm," prices are likely to be even higher than where the most efficient firm is used to set the standard. It is also important to decide whether firms should be allowed to set their prices in such a way as to enable them over a long period to recover the value at present placed by them upon their plant and equipment. Plant may be valued without full recognition of the extent to which the industry is over-expanded. Arguments that prices should cover costs tend to assume that the producer may calculate his own costs and then be protected from pressure from prices that do not cover these costs. If he is allowed to pursue this policy, the consumer must shoulder the burden of any inefficiency in his organization as well as the burden of past unwise investments. In the future this clause may be of serious importance. But it must be admitted that in the past the machinery for administering it has not been established with sufficient speed to make prohibitions upon sales below cost operative during the first phase of the Act.

The principle underlying the open price clause is that sellers must notify their prices to the code authority which must immediately communicate them to all other sellers. Only occasionally is it provided that buyers shall have

equal access to this information. Notice of changes in price must frequently be given and rivals be given an opportunity to meet the change before it becomes effective. It is difficult to state with any certainty the effects of this clause. It reduces the inducement to price competition and certainly tends toward a uniformity in the prices of all sellers. It tends also to cooperative action among sellers because none can set a higher price than his rivals unless he is assured that they will follow in making a similar increase. It probably tends also to an undue stability or fixation of prices. There is a tendency, however, to exaggerate its effects because it is very probable that if it were abolished information concerning prices would continue to be exchanged.

The main explanation of the increases in prices under the Recovery Act is that by providing for the establishment of codes in every industry it has brought together all the producers in each group and given them an inducement to cooperate. Prior to the Act trade associations failed to achieve their objectives, partly because they were rarely able to induce all firms in the industry to join the association, and partly because they lacked the power to enforce their policy. The effects of the closer cooperation induced by the Act have been somewhat enhanced by the availability of new methods of coercion, such as the opportunity to require frequent cost inquiries to prove that firms are not selling at prices below the cost of production. The degree of cooperation that has been secured varies, however, from industry to industry according to the number of firms and the relations between them. There is in some code authorities for instance considerable friction between firms of different sizes and firms producing in different territories.

Unfortunately it appears that the Administration in its supervision of the establishment of the initial codes has taken far less account of the interest of consumers than of the interest of producers. The Consumer Advisory Board, which was established to present the view of the consumer, has given a few people the impression that their interests are being protected although in fact it has been, particularly during the early months of the Act, little more than a façade. Its ineffectiveness is partly due to the fact that the Board is merely advisory and that its advice has often been ignored. The reason for this lack of interest in its advice is in turn mainly due to the lack of any consumer backing. Consumers are unorganized and the Board has been either unable or unwilling to make its criticism of the policies of the administration generally available and thus crystallize consumer opinion. Without some guidance from the Board, the consumer cannot be expected to arrive at reasonable judgments concerning very complex problems arising out of the form of the codes and their administration.

The principal need at the moment, therefore, is for an investigation of the ways in which the consumer can bring about a more even balancing of the interests of producers and consumers. The immediate methods by which this may be done are by the exercise of political pressure to secure greater

independence for and recognition of the views of the Consumer Advisory Board, and the preparedness to strike against excessive prices. Both these steps, however, call for organized activity by consumers. The average individual being primarily concerned with his interest as a producer, and being as a consumer, interested in a variety of products he is extremely difficult to organize. The proposed establishment of county committees throughout the country to organize consumer opinion suggested that the administration recognized the necessity of devoting some funds to the organization of consumers. The proposed allocation of funds indicated, however, that the recognition never developed beyond the most meagre proportions and even this proposal is very slow to materialize.

It was announced in March that provision was to be made for the representation of the consumer on each code authority but the whole attitude of the administration to consumer representation minimizes any hopes that might have been aroused by the announcement. It has never been proposed to have more than one consumer representative on each code authority and no representative may be paid more than \$15 a day. The manner in which the earlier "public" representatives on code authorities were selected indicates no realization on the part of the administration of the training, experience, and disinterestedness that are the essential qualifications for this work. Finally, consumer representatives are not to be permitted to attend meetings but are merely to inspect the minutes of the meetings of the code authorities. It will not be difficult to arrange that views and information likely to excite an alert consumer representative shall remain "off the record." While it is desirable to secure able representatives on code authorities in order that the Consumer Advisory Board may be kept fully informed, it is useless to expect much real protection for the consumer from the presence of even an able representative on a body consisting almost entirely of people with long experience in the industry.

All these methods of protecting the consumer depend upon the provision of adequate information, both to avoid unjustified accusations and to canalize criticism into the areas in which it is justified. The Consumer Advisory Board should be freed from its present control and allowed to make public its criticism of the policy of the administration. There are two possible policies that might be pursued in providing information to serve as a basis for criticism of the Administration. On the one hand attention may be directed to the form of the codes, and on the other, it may be concentrated upon the prices and qualities of products.

The consumer cannot be effectively protected by pursuing the first of these alternatives. Code clauses are complicated and their effect is difficult to foresee, partly because conditions vary greatly from industry to industry, and partly because clauses are interpreted differently in different industries. Moreover, if the increase in prices that has occurred under the Act is trace-

able in large part to conduct not covered by the codes, we are left to resort to detective work to discover infringements of the codes that have been accepted. This method of enforcement has been such a notable failure under the anti-trust laws for over forty years, that it is useless to return to it.

The ultimate problem is obviously that of deciding whether the prices are reasonable or not. There is no object whatever in minimizing the difficulties of this approach. They have been illustrated by attempts to control the public utilities, as well as by war-time attempts to control industry. But there is also no object in encouraging the hope that we can discover some simple device for securing the efficiency and reasonable profits which were the objectives of our desire to maintain competition. Ultimately the attempt to secure reasonable prices involves supervision of industry by the state with reference to some more comprehensive and long term plan than has been the basis of economic activity in the past. Because the task is so difficult it is desirable to begin seeing the problems in these terms as soon as possible.

Immediately, however, there is no object in seeking to protect the consumer by demanding a full publication of all business statistics. The present confusion would be only worse confounded. It should be remarked, however, that now that business seeks protection from competition, there is no longer any justification for the claim that business statistics shall be kept private. The only means of deciding whether business groups are using their new powers in the general social interest is by reference to statistics of such matters as the cost of production. As however, detailed investigations cannot be conducted into all industry simultaneously, and as investigation is indeed, not everywhere needed, the essential first step is to secure preliminary information that will enable consumers to make an approximate judgment of the reasonableness of prices. The Consumer Advisory Board suggests itself as the agency to provide a new service of this type.

A number of simple but necessarily superficial tests suggests themselves. The Board might publish information concerning those prices which had remained unchanged for a long period of time. It might make available information concerning uniformity of prices within an industry, especially among producers tendering for supplies to public authorities. It might publish comparisons between changes in the prices of certain commodities and of their principal raw material and labor costs. It might compare changes in the prices of similar products in different parts of the country. It might publish information concerning the difference between the costs of production by the most and the least efficient firm in an industry, and, where the spread was very wide, seek some explanation of the ability of the high cost firm to remain in operation. It might collect information

concerning the amount of plant kept out of use. In publishing these figures the Board could offer a running commentary suggesting explanations, where information is available, and recommending more thorough investigation where it seemed to be needed.

This consideration of the position of the consumer under the National Industrial Recovery Act suggests five conclusions. Firstly, the consumer was progressively losing the protection of free competition even under the anti-trust laws. Secondly, the Recovery Act provided a mechanism of industrial control capable of introducing greater efficiency in industry and of redressing the balance more in favor of the consumer. Thirdly, this machinery has been used, up to the present, however, with far more consideration for the interests of the highly organized groups, that is, groups of producers, than of those of the consumer. Fourthly, this situation can be remedied by a change of policy. The protection of the consumer gives rise to very great difficulties, but these difficulties arise mainly out of the attempt to establish a more effective type of industrial control than has existed hitherto, and not simply out of the necessity for protecting consumers. Finally, more consideration of the interests of the consumer is necessary, not only in the interests of equity but also in order to secure general recovery, which means the production of more goods and services. If everybody seeks to gain by restricting output, it must be obvious that most people will lose.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

The Present Status of Recovery

In this article, Mr. Filene sums up his attitude toward the NRA. Discussing the opposition to the NRA, he says, "Recovery will win out—and it will win out along the general lines of the President's Recovery Program—because even the very business men who are now so loudly opposing it do have a weakness for profits."

In conclusion, Mr. Filene says: "It is not in the actual achievements of the NRA to date, although those achievements are most gratifying, that I observe our greatest progress toward recovery. It is rather in the recognition of these basic economic truths which the development of our business and industrial codes is inevitably bringing about. Under these codes, although for the most part they were drawn up rather blindly by the business men who drew them up, we are removing wages, which are the basis of our buying power, from competition; and we have made it possible, therefore, for business men to do business in a more businesslike way. Heretofore, most of us felt that we had to cut wages whenever our meanest competitor declared a cut. It was the chiseler who set the pace. He was our business dictator. The NRA instead of being a bit of government meddling, is really a democratic revolution against that despotic dictatorship." By Edward A. Filene. *Mill & Factory*, June, 1934, p. 25:7.

Regulation—More and Better

"In the public interest there should be more, not less, regulation," states the author, former Chairman, Federal Power

Commission. "But in the name of social justice, it must be better regulation—regulation that stresses equity, not expediency, and regulation that functions as the arm of law rather than as the voice of politics." This betterment in both quantity and quality is absolutely demanded, it is pointed out, to meet present-day requirements. "Regulation of these utilities in the public interest has been put 'on the spot' by recent political action, in that the whole theory and practice of regulatory methods are on the defensive as never before. This crisis may well result in aggressive advances in accomplishment by existing governmental agencies. Improvement of regulation is regulation's best defense." By George Otis Smith. *Public Utilities Fortnightly*, June 7, 1934, p. 705:8.

The Shipper and the New Transportation Machine

Touching upon the problems confronting the present-day shipper, the General Chairman, Industrial Traffic Council, Chicago Association of Commerce, discusses the organization and functions of the Council, which he describes as "a forum, a clearing house, a cooperative effort to reduce labor and expense for industry and to give industry the greatest shipping efficiency." The operation of the Council is centered as far as possible through the Transportation Department of the Association, and acts in cooperation with the transportation agencies involved. By means of a routing guide containing names of railroads operating package cars from Chicago to practically all points in the country, shippers are enabled to take a less-than-carload shipment

to the freight station and be assured that the package will be expeditiously transported to destination. During 1933, 454,840 package cars left Chicago for other points throughout the United States, and 97.28 per cent arrived at destination on time. The routing schedule is prepared by the Council. By L. E. Muntwyler. *Commerce*, May, 1934, p. 20:1.

The New Deal and Tariff Policy

A re-examination of the tariff question in the light of current policies and experience of the past decade. The study discusses the tariff in relation to foreign trade, the American standard of living, foreign investments, and national planning. Recent attempts at tariff reform are cited and the efforts of the present administration in effecting a reduction in tariff are outlined.

Concluding, the author states, "Whatever the particular policy which is followed, any sound program must recognize that the tariff is a subsidy, and that it is of necessity discriminatory. When public opinion changes from the view that high tariffs consist in getting something for nothing to the view that high tariffs consist in taxing someone for the benefit of someone else, the groundwork will have been laid for a genuine reform in American Tariff policy." By Frank Whitson Fetter. *Public Policy Pamphlets No. 7, University of Chicago Press*, 1933. 27 pages.

Why Fear Cotton Crop Control?

The author of the Bankhead Cotton Control Bill explains why he considers this program of cotton reduction essential to the nation. In stressing the necessity for a fair price for the cotton crop, the Senator says: "A reasonable supply of purchasing power in the Cotton Belt stimulates the operation of industrial plants in other sections to produce commodities for sale to the cotton producers. As practically all of the money received from the sale of cotton moves each year into other sections, it is astonishing to find, in the industrial sections which are directly benefited by a good price for cotton, so little sympathetic inter-

est in the welfare of the cotton producers." Cotton has been the largest factor in the increase of our national wealth as a result of foreign trade, it is pointed out. "A higher percentage of the annual cotton crop is sold abroad than any other industrial or agricultural commodity produced in the United States." Cotton has supplied 92 per cent of the total amount constituting our balance of trade since our Government was established, and 60 per cent of our annual cotton crop brings new money to the United States, according to figures cited. By John H. Bankhead. *Nation's Business*, June, 1934, p. 25:5.

We Can Remake Prosperity

Pointing out that prosperity lies in big production and a balance between cost and buying power to permit free purchase by those engaged in agriculture and raw material production, the President, Baldwin Locomotive Works, outlines eight steps toward normal activity; 1. Cooperation of government by the removal of barriers now existing in the flow of private capital into private enterprise; 2. Organization of the proposed intermediate credit banks for industry to make loans up to five-year maturities; 3. Encouragement to private enterprise by Government, assuring the former of opportunity to earn a reasonable return upon invested capital; 4. Relief from radical changes in business methods thrust upon country in guise of reforms; 5. Continuation of amicable relations between employer and employee, as set forth by Section 7, NIRA; 6. Present emphasis upon recovery instead of reform; 7. Recognition that recovery in employment lies primarily in field of durable goods; and 8. Realization that prosperity lies in production and not in curtailment of goods. By George H. Houston. *Commerce*, May, 1934; p. 23:4.

National Income and Its Elements

The review of national income presented in tables and text covers the peak of 1929, the declining period 1930-1932, and the year 1933 in which some results of recovery were realized.

The national income produced is viewed as the source from which national income becomes available for distribution. It is pointed out that in the depression the nation was obliged to supplement the income derived from current production by consuming some of its wealth, even to meet the greatly reduced wants of the population.

It is also pointed out that if the national income is to be increased, if we are once again to become a saving nation, that can only be accomplished by increasing the national production. *Conference Board Bulletin No. 5*, May 10, 1934. 8 pages.

The President Faces the Acid Test

The state of the New Deal today is discussed in three articles. John T. Flynn in "Roosevelt Faces 1936" points out the problems Roosevelt will have to face in the presidential campaign, looming just ahead. In the second article, "If Roosevelt Fails," Stuart Chase discusses the economic future and presents a point of view differing in several particulars from that of Mr. Flynn in his political analysis. The analyses of these two men are supplemented by David C. Coyle's concluding article, "Recovery, Reform—or Both?" in which he presents a definite program for revival of the heavy industries. *Scribner's Magazine*, July, 1934, p. 1:15.

Price Control Under the Codes

On its ability to control price, many critics believe, depends the ultimate success or failure of the NRA. The complexity of price-fixing and the need of it are explained in this article. Unlike previous methods of price control the NRA hopes not only to prevent prices from rising too high, but also to prevent them from falling too low.

Probably the most pressing difficulty in price-fixing operations is to discover the costs on which prices shall be based. Costs of the lowest cost member of the industry, the most representative member and the most efficient member have been used as measures but the problem awaits a better solution. By Herbert Corey. *Nation's Business*, April, 1934, p. 13:5.

Proceedings of the Fourteenth International Cost Conference

The conference was divided into six sessions dealing with: 1. The Reconstruction of the Balance Sheet; 2. Pricing for Profit; 3. Municipal Accounting; 4. The National Industrial Recovery Act and What It Means to the Accountant; 5. Budgetary Control for the Small Business; 6. Standards and Their Application to Distribution. *National Association of Cost Accountants Year Book*. 1933. 313 pages.

FINANCIAL MANAGEMENT

The Rebound—America's Financial Strength

Although the debt burden of the Government is rather heavy and will be heavier, there is, in the opinion of the author, abundant proof that the burden can be carried without material interference with the financing of commerce and industry. The banks of the country are just emerging from the most difficult period ever experienced by a national banking system which survived. The fact remains that the system has survived and is now displaying elasticity, virility and resources in an unprecedented recovery.

"The reason for all this, doubtless, is that at no time, even in the depths of the disappearing depression, has there been any inadequacy of the basis or means of credit in this country. Aside from the fundamental wealth and resources of the nation there has been at all times an adequate gold supply, an abundance of money and a readiness on the part of banks and other institutions to finance commerce and industry if and when credit could be properly called into play. Fundamentally the country has been as strong as in prosperity.

"What the American people now need is to cut loose from theoretical formulae, post-

pone questionable and debatable reforms to a more convenient day, have more confidence in themselves and their fellow citizens, rely upon the principles and institutions which have served them so well in the past and have the will to use to the utmost the credit and other facilities for recovery they now have." *American Bankers Association Journal*, May, 1934, p. 11:4.

A Country with One Bank

Hardly observed in this country, Vienna, once one of the banking centers of the world, now has only one bank, jointly controlled by foreigners and the Austrian State. The author, former Berlin correspondent of *The Wall Street Journal*, outlines the unique experiment which Austria has been forced to embrace and its possible results in creating business monopolies. By George M. Katona. *Barron's*, June 11, 1934, p. 13:1.

Defaults on European Dollar Bonds

A bulletin summarizing the present status of the dollar bonds of six European countries and their political subdivisions now in total or partial default.

The bulletin reviews the debt status of Austria, Bulgaria, Germany, Greece, Hungary and Yugoslavia.

The Austrian Government, it is noted, serviced the League of Nations 7 per cent loan of 1923 and the 7 per cent international loan of 1930. The transfer problem has been alleviated in part by the recent flotation of British, French, Swiss, Italian and Belgian branches of the new loan provided under League auspices and guaranteed by the guarantors of the 1923 issue. Most other Austrian issues are in default as to interest.

Bulgaria has offered to transfer 25 per cent interest on its two League loans from May, 1933, to April, 1934, the remainder paid in 2 per cent levys.

German loans are paid 50 per cent cash and 50 per cent scrip, the scrip in turn being repurchased by the German Gold Discount Bank at 50 per cent.

A former offer having been refused, Greece offers 27½ per cent of interest for

the fiscal year 1933-1934 and for the following year 35 per cent. The Institute holds that these are the best possible terms.

The Hungarian moratorium remains in effect. The 1924 League loan serviced in 1933, in 1934 is serviced only 50 per cent. Yugoslavia has offered an optional settlement; full interest in blocked exchange or 10 per cent cash and 90 per cent in 5 per cent long term bonds. *Institute of International Finance Bulletin No. 67*, February 21, 1934. 22 pages.

Foreign Trade

Improvements in foreign trade are noticeable all along the line. Recent steps in our monetary and financial program have facilitated a renewal of trade between the United States and other nations. Additional steps are likely to be taken by the Government to further remove obstructions. A resumé of the progress made toward a resumption of foreign trade and glimpses into what is likely to occur in the future form the subject matter of this article. Included, also, are many pertinent observations regarding the part which bankers can play in the new era of trade which seems in the offing. By J. G. Geddes. *The Burroughs Clearing House*, April, 1934, p. 3:5.

Where to Look for Loan Danger Signals

It is good banking to forecast trouble on a loan and then either prevent it or collect before trouble arrives. According to the author, there are five trouble indicators which do not involve any technical points or involved computations of ratios. Here is the list: 1. Continuous borrowing (failure to clean up at least annually); 2. Shrinkage of working capital from: a. Losses in operations; b. Payments of unwarranted dividends or excessive withdrawals by principles; c. Conversion of quick assets into fixed assets; 3. Nominal balances in account; 4. Trade payments slowing; 5. Use of a finance company.

"The big advantage of this set of five easy tests is that, except for the use of commercial agency reports and a few tele-

phone calls for establishment of trade payment trends, they require no complex computations or sleuthy detective work. All of the necessary facts are inside the banks, right under the banker's nose to be had for the trouble of looking them up. Balances, borrowings, statements, canceled checks, checks deposited—they are all part of the permanent or temporary records of the bank, available on request by the loaning officer. And the loaning officer who watches these as warnings of danger will have fewer work-outs and fewer losses." By Vincent Yager. *The Burroughs Clearing House*, May, 1934, p. 8:5.

Bank Statements and the Public

A brief discussion of the four major forms in which bank statements are commonly published, including the following types: 1. legal; 2. condensed; 3 explained; 4. detailed. The author defines each kind of statement and elaborates on the detailed form, pointing out its advantages and disadvantages both from the viewpoint of the bank and that of the public. In the opinion of the author, "the publication of statements in detailed form discloses growing recognition of public responsibility on the part of bankers, and constitutes a practice which might well receive widespread adoption." By L. Douglas Meredith. *The Journal of Business of the University of Chicago*, April, 1934, p. 182: 5.

Federal Examination of Trust Departments

For the purpose of strengthening the trust departments of all banks, both state and national, and standardizing their practices, three agencies of the Federal Government are acting in unison and cooperation for the establishment of a plan of examination and control of such institutions, which is new in conception, new in its thoroughness and more or less new in personnel involved.

Trust authorities in the office of the Comptroller of the Currency, in the Federal Reserve banks and in the Federal Deposit Insurance Corporation are engaged at the present time in working out a system

of special examinations for the trust departments of banks which, with slight if any variation in the case of each authority, will be applied by their representatives to all banks coming under their respective jurisdictions.

"The new, combined, rather aggressive policy adopted by the Federal supervisory authorities in regard to the trust functions of banks reflects their intention of being certain that the trust departments are placed upon the same plane of soundness and efficiency as the authorities believe they have placed the banks of the country in their banking departments. There is also a general feeling that the trust business of the banks faces important changes." By George E. Anderson. *American Bankers Association Journal*, May, 1934, p. 23:4.

The Johnson Act

Designed to prohibit financial transactions with any foreign government in default on its obligations to the United States, the Johnson Act raises, according to the author, new problems for American business. Although the law has for its object the protection of American interests, the law is so vague as to exactly what is prohibited, that complications affecting daily financial transactions and our import and export trade are bewildering banks and business men alike, thus putting new impedimenta in the way of recovery. The author after analyzing the more important implications of the Act concludes that, "until the Act is repealed, or modified in some way, it cannot but add to the difficulties of doing business with foreign institutions, and complicate our foreign trade." By Ewen C. MacVeagh. *Barron's*, April 30, 1934, p. 6:2.

Short-Cut Account Analysis

Pressure for the simplification and speeding up of account analysis is coming from two sources these days. One is the Bankers Code, which calls for an equitable system of charges and the other is the attitude of customers towards the present charges.

From their standpoint it is essential to have the charges based on actual account analysis, to avoid any thought that profitable accounts are still paying the freight on unprofitable ones because of loopholes in the charge system.

The account analysis can be shortened and simplified without sacrificing any of the factors which make for complete analysis by expressing the latter in the form of an equation, substituting the known factors (rates used), and finding the profit or loss in terms of the unknown quantities (balance, float and activity of each account).

By substituting those amounts as they become known for each account, the value of the account is determined by a few simple computations. This method is not applicable to accounts having a "net overdraft."

The short-cut analysis form is illustrated in the article and its use demonstrated by actual calculations.

As the author points out, the importance of this simplification is two-fold—it saves time in the bank and saves the patience of customers. By T. J. Barclay. *American Bankers Association Journal*, April, 1934, p. 36:2.

Insurance*

Workmen's Compensation—A Fast-Growing Racket

Is workmen's compensation facing a crisis, leading to a complete break-down of the whole system? While the number of accidents and the total hours lost have been declining, claims have been growing rapidly because the administration and interpretation of compensation laws have been stretched far beyond the original intent. The author cites many decisions which resulted in benefits being paid for disabilities sustained through a variety of means, other than actual employment. By P. W. Gumaer. *Chemical Industries*, December, 1933, p. 499:4.

Present Status of Unemployment Insurance or Reserves Legislation

Although at the beginning of 1933 many indications pointed to the likelihood that compulsory unemployment insurance legislation in some form would be enacted in many states no bills of this character passed more than one house. Moreover, Wisconsin, which had adopted a compulsory unemployment insurance law in 1932, passed amending legislation, which postponed the date when this law should go into effect from July 1, 1933, to such time as business recovery, as indicated by increase of em-

ployment or of payrolls, should be well under way, but in no event before July 1, 1934.

Several bills were introduced in Congress in 1933 and 1934, the most important of which was S. 2616, introduced February 5, 1934, by Senator Robert F. Wagner of New York. This measure, entitled "A bill to raise revenue by levying an excise tax upon employers and for other purposes," was designed, according to Frances Perkins, Secretary of Labor, one of the bill's sponsors, to aid and encourage legislation for the establishment of unemployment insurance systems by the several states. Its opponents describe the bill as an attempt to use the taxing power of the Federal Government to coerce the states into legislation on a subject that lies outside the constitutional powers of Congress.

During 1933, state commissions in the principal states held numerous hearings, and the reports of these commissions, summarized in this memorandum, show that the prevailing views regarding proposed legislation are divided between: 1. unemployment insurance, which attempts to apply insurance principles to the risk of unemployment and thus to afford the workers the security that is implied by the term "insurance"; and 2. unemployment reserves,

* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Company.

which are set up by the employer, with or without contributions by the employees, to provide partial protection against unemployment on a non-actuarial basis.

Preparations are being made for the introduction of bills along both lines in the legislatures of the 43 states which will meet in 1935. *National Industrial Conference Board Memorandum No. 29*, April 24, 1934. 13 pages.

Insurance and the Recovery Program

The President, Federation of Mutual Fire Insurance Companies, says that insurance cost is too high and must come down if we are to play our part in the recovery program. He believes that any permanent reduction in the loss ratio must come through active fire prevention work. In spite of the good work that is being done, we have not scratched the surface.

Although this article pertains to many insurance company responsibilities, the buyer of insurance will find it very interesting. The author points out there must

be cooperation of the parties at interest to accomplish reduction in losses and expenses. By J. J. Fitzgerald. *Journal of American Insurance*, May, 1934, p. 13:3.

Life Insurance Sales Analyzed

This discussion aims to describe and interpret the specialized methods that are necessary in a "time-series" analysis of life insurance sales. Inquiry is directed towards:

1. The factors which caused sales in the past to develop in the manner indicated;
2. Causal factors which are operating now;
3. The significance of the present combination of causal factors in relation to the future.

Analysis is made of the well-defined movements which can be distinguished in life insurance sales, including: 1. Basic or long-time trend; 2. Seasonal variation; 3. Business cycles; and 4. Residual or erratic fluctuations. By Clyde J. Crobaugh. *The Insurance Age-Journal*, March, 1934, p. 5:5.

OFFICE MANAGEMENT

Organization: Job Analysis, Employment, Pay, Tests

Why Our Employees Keep Diaries

Ever since the incorporation of the C. F. Burgess Laboratories (batteries) in 1910 the employees have kept a daily notebook of data, observations, actual happenings, new ideas and facts pertinent to their work and the activities of the laboratories. Today key men of affiliated companies are also recording each day's occurrences. Each notebook given to an employee is numbered and is the property of the company. At the close of each day, and before leaving the offices or laboratories, every notebook possessor is expected to make entry of all important features of his work which occurred during the day. The book is kept in an accessible place in the employee's desk so that his superiors may refer to it at any time. When the notebook is filled and in-

dexed it is returned to the office for permanent file, and a new book is issued. By C. F. Burgess. *System and Business Management*, June, 1934, p. 286:2.

Average Wage and Salary Payments in Wholesale and Retail Trade in Ohio, 1916 to 1932

The highest average annual wage and salary payment to wage earners in wholesale and retail trade in Ohio in any year from 1916 to 1932 was \$1,293 in 1928 and the lowest \$671 in 1916. For bookkeepers, stenographers, and office clerks, the highest average was \$1,405 in 1930 and the lowest \$723 in 1916; for salespeople (not traveling) the highest was \$1,238 in 1927 and the lowest \$656 in 1916. These figures based on annual reports to the Ohio De-

partment of Industrial Relations are analyzed in this article. By Fred C. Croxton and Frank C. Croxton. *Monthly Labor Review*, May, 1934, p. 1032:15.

What Recovery Will Demand of Safety Work

Calling attention to new problems that he anticipates as a direct result of re-employment, the President, Bauer & Black, points out that in 1933 there were 77,500 non-industrial accidents that resulted in fatalities, as compared with 14,500 in industry. He states that the active support of business leaders in their civic, recreational and other personal activities—as well as in the office—is necessary if this record is to be materially improved. By R. A. Whidden. *Executives Service Bulletin*, June, 1934, p. 7:2.

Space: Location, Equipment, Arrangement

Transferring Methods and Equipment Requirements

The author discusses methods of separating the current and old papers in order to save time, labor and equipment.

The strictly active file eliminates lost time in searching for material, less expen-

What Do You Think of the Personnel Department?

Data collected from 430 employee interviews reveal no widespread distrust of personnel departments. Confidence in the work of such departments was expressed by about three-fourths of those interviewed although personnel work and "efficiency" work were believed to be the same thing by 83 per cent of the group. Accuracy of notions regarding what a personnel department does seemed independent of actual experience with such departments. By Harold V. Gaskill. *The Personnel Journal*, June, 1934, p. 17:4.

Proceedings of the Twenty-Second Annual Safety Congress

Transactions of the National Safety Council, 1933. 503 pages.

sive equipment may be provided for the inactive papers, and less valuable space utilized for this inactive material.

Suggestions are also given for the location of equipment. By Chandler C. Jordan. *The Office Economist*, May-June, 1934, p. 5:5.

Records: Forms, Charts, Cards, Files, Statistics

Unit Posting Aids Accuracy

A plan whereby posting to the ledger, statement, and branch office records is accomplished with one operation is used by the L. D. Caulk Dental Depot, distributors of dentists supplies. This method of posting is made possible through the use of a bookkeeping machine with a special type carriage permitting the insertion, alignment and removal of ledger and statement forms from the left half of the carriage without disturbing the journal form on the right side of the carriage. This journal form, either cash journal or sales journal, remains in the machine until completed and

is an original record of the items that were actually posted to the ledger. *System and Business Management*, June, 1934, p. 292:2.

Duplicating Equipment Facilitates Work and Insures Accuracy at Airplane Plant

Usually from 8 to 18 duplicate copies of forms and communications are needed in the Curtiss Aeroplane and Motor Company, Inc. Requirements for some copies go much higher—many runs of 25, 50, 100 and even as high as 150 are needed. The task of supplying this large amount of duplicate copies has been greatly simplified through use of duplicating equipment.

One of the most valuable shortcuts made possible by use of the equipment is in the production of drawing changes. Such changes have to be made quite often and are noted by the person who makes them with pencil on a special yellow form. With a duplicating ribbon in the machine the information is then typed on an identical form, printed with duplicating ink. A saving of \$2,400 a year in payroll was made in this department alone, since one man operates the machine.

Other uses of duplicating machines in the Curtiss Aeroplane and Motor Company, Inc., are in the accounting department, the daily tool inspection reports, in the sales and billing departments and in the tabulating department, which makes a man-hour report daily by contracts and by departments. *System and Business Management*, May, 1934, p. 237:2.

Automatic Billing Saves Time and Money

By coordinating the posting routine with the filing system, Swett & Crawford (in-

surance) have made their billing practically automatic.

The method is described in detail and according to the firm's office manager, who was instrumental in developing the system, it can be used effectively in collection follow-up for any type of commercial enterprise, such as banking, wholesaling and retailing, particularly when the accounting is centralized in the home office while the collections are handled at the branch offices. By J. K. Novins. *The Office Economist*, May-June, 1934, p. 3:3.

Order Form Increases Sales

The mail order business of the Peterson Nut Company has picked up 40 per cent since the company started using a mail order business reply card attached to either an invoice or statement form.

The company started using these forms in February. As the customer writes his check, he can easily check off his needs on the card and drop it in the mail. *System and Business Management*, June, 1934, p. 293.

PRODUCTION MANAGEMENT

General: Promotion, Organization, Policy, Development

Group Supervision Insures Efficiency

Mass production of a product as meticulous of design as an airplane by some 2,000 workmen requires the ultimate in organization and supervision. The Boeing Airplane Company has made the work highly departmentalized so that each department specializes in the fabrication of a particular part of an airplane.

This move to more specialization according to divisions of the airplane has developed more integrated departmental supervision. The entire personnel has been organized along military lines. At the top, of course, are the usual executives to whom all foremen are directly responsible. In addition each shop has an assistant foreman as well as a number of job foremen and group leaders. Virtually all minor su-

pervisory personnel under the foremen are producing workers. Though job foremen have their own jobs to perform, they are still responsible for certain groups and classes of work. The same is true of so-called "group leaders" that have from one to twelve men working under them on particular items. By Mandus E. Bridston. *Mill & Factory*, June, 1934, p. 44:4.

How McCormick Is Keeping Its Management from Going to Seed

By putting the young men of business to work through a Junior Board of Directors, and giving them a definite place in the management, McCormick & Company, food products manufacturers, are accomplishing two important things: they are keeping the older executive heads from lag-

ging behind the times in their thinking, and they are giving rigid and effective training to the youngsters who are in line for officerships in the firm. By James True. *Sales Management*, June 1, 1934, p. 510:3.

Suggestions for Measuring Recklessness

The investigation described was concerned with the possibility of developing laboratory tests to measure recklessness. Tests were given which ostensibly measured coordination or accuracy in adjusting apparatus, but in which some variation was possible in the mode of attack. It was suspected that the reckless individual would be tempted to make more hasty or fewer adjustments and that this tendency might be revealed by appropriate scoring. The tests involved such things as balancing a long rod, putting nuts on machine screws and filling graduates with water up to a designated mark. A criterion with an estimated reliability of .86 was obtained by means of a graphic rating scale. Six items of test score weighted in a regression equation yielded a multiple correlation of .60 with this criterion. Factor analysis of the intercorrelations between the tests suggests that the principal factor is one of haste, but there is a further suggestion that this tendency is modified somewhat by the apparent difficulty of the task and by the individual's awareness of his own mistakes. By Harold E. Burt and Orian C. Frey. *The Personnel Journal*, June, 1934, p. 39:8.

Manufacturing Information Serves All Production and Cost Purposes

A committee was selected to review the procedure and forms, and to establish a complete new system for the preparation and issuance of manufacturing information in the Cleveland Works of the Westinghouse Electric & Manufacturing Company. The new procedure is described in this article and its advantages are: Transcribing expense is eliminated, and all copies are produced with little more effort than that formerly required for one; errors caused from transcription are eliminated.

Time allowances are shown on all copies, and the group leader has the information before the work is started. The cost division and the timekeeper do not require a file of time allowances, since the manufacturing information division maintains a file and issues the order complete.

After an order is completed there are no manufacturing information copies in the shop sections taking up file space as the various copies are used for clearance and, consequently, have passed on for these purposes. By D. F. Zehrung. *Mill & Factory*, June, 1934, p. 36:2.

The Habit of Safety

The Western Clock Company suffered no lost-time accidents during 1932 and 1933. The president of the company writes in this article of the methods that have helped make this outstanding record possible, discusses the importance of developing "safety consciousness," and concludes, "The Western Clock Company recommends the cultivation of safety as a habit to those who desire to improve their employee relationships, their factory's reputation and the appearance of their annual statement." By R. H. Matthiessen. *Executives Service Bulletin*, May, 1934, p. 3:2.

These Three Policies Keep Our Employees Efficient and Happy

There are three main factors which form the basis of policy for building and maintaining an efficient staff, according to the Chairman, Ford Motor Company, Ltd. They are: 1. Adequate salaries and wages through the organization; 2. Harmonious cooperation between all departments; 3. Prompt and unbiased recognition of merit by promotion and other rewards. By Sir Percival Perry. *Business*, June, 1934, p. 10:3.

Today's Management Problems

A consideration of the effect NRA rulings will have upon specific management problems within the plant, emphasizing the changes arising in manufacturing problems

arising from the operation of the codes, and pointing out suggested procedures which management may follow in meeting these new conditions. As the author views it, most of these problems come from: 1. The open price plan under which the majority of codified industries will be called upon to operate; 2. The labor provisions of the

codes such as the imposition of uniform minimum wage rates and uniform maximum hours; 3. Other elements such as overheads, office management, cost procedures and bonus payments also must come up for review in the light of NRA influences. By Norris M. Perris. *N. A. C. A. Bulletin*, May 1, 1934, p. 1021:15.

Training and Education: Schools, Publications, Bulletin Boards

Employee Training in Wide-Spread Organizations

The author reviews the basic factors and various techniques involved in setting up a job training program. Specific types of procedure used by representative chains throughout the country are studied. In conclusion, the writer says, "The brief survey which has been made of training methods as applied to wide-spread organizations will indicate the existence of substantial interest in training procedures on the part of many firms, but may also suggest the need for specialized and technically sound methods. Earlier conceptions of training as a

Libraries, Apprenticeship, Employee

vague process of experimentation, of 'hit-or-miss' methods or inspired 'hunches,' are apparently giving way slowly to the scientific method. Job analysis, systematic planning and scheduling, and greater precision in the preparation of training text material are becoming more common. Employee training in decentralized firms appears to have passed out of the fad stage and, with the added impetus of the NRA codes, should find its place as one of the essential components of scientific management." By R. O. Beckman. *The Personnel Journal*, June, 1934, p. 1:16.

Plant: Location, Lighting, Heating, Ventilation

The Effect of Color on Workmen

The experiment described here was undertaken to examine the effect of color upon men working at the Bogardus factory test machine. Various colored lights were used, one by one, in a room painted white. The men were paid wages and employed for regular working days. Output was measured and introspective reports of bodily feeling were taken every fifteen minutes. The findings favored white and indicated that nervous excitation resulted when the colors deviated from white. Introspective feeling reactions were marked but not consistent. Green for instance did not appear to be characteristically stimulating nor blue soothing. There was no evidence supporting the view that red is warm and green is cool. The results indicate that feeling responses to color, are due to association of color with objects rather than to any in-

herent feeling response to color itself. By David H. Pierce and James D. Weinland. *The Personnel Journal*, June, 1934, p. 34:5.

Small Motors Need the Same Protection Big Motors Get

Fractional-horsepower motors drive a surprisingly large amount of industry's machines. The author points out in this article the importance of adequate control and protection for them. Several types of fractional-horsepower motors are listed and certain peculiarities of each are considered. By B. W. Jones. *Factory Management and Maintenance*, June, 1934, p. 269:2.

Auxiliary Short Lift Elevators

A discussion of the value of the short lift device to supplement the more permanent elevator. The adaptability of the tiering machine or portable elevator, seems to

lie in the fact that it is entirely self-contained and can be either permanently located in a shallow pit 6 or 8 inches deep or made portable from place to place. By L. B. Murdock. *Mill & Factory*, May, 1934, p. 45:3.

Now's the Time to Put Buildings in Shape

Dividing building maintenance into two phases—preventive and corrective—the au-

thor points out that it costs much less to preserve the protections of a building than it does to repair and renew defective parts that have not been protected and are being damaged.

Eight rules for the proper maintenance are given and are accompanied by a report indicating the typical results of a building survey in the spring, and showing how repair costs can be estimated. By G. W. Borden. *Factory Management and Maintenance*, June, 1934, p. 279:4.

Labor Relations: *Collective Bargaining, Employee Representation, Arbitration*

Industry's Recovery Labor Policy

In urging that the industrial family settle its grievances at home, within its own factory, rather than air its troubles to a distant tribunal, the author, General Counsel, National Association of Manufacturers, states, "Anything that incites the parties to carry their plant differences outside their household and their industry is not only a direct encouragement to an unnecessary and improper Government intervention in every slight difference, but all experience demonstrates that it impairs or prevents the development of mutually responsible and self-adjusting employment relations. Since the machinery of adjustment is executive and not legislative in origin and direction, it possesses flexibility as against rigidity.

It may therefore be improved in the light of experience." If plant settlement fails, it is suggested that the industry establish an appellate body within itself as localized as the physical circumstances of the industry permit. By retaining the controversy within the respective coded industry, special experience of persons familiar with the circumstances of the particular plant or industry is utilized. By James A. Emery. *Industry*, May 26, 1934, p. 1:3.

Collective Bargaining in the Steel Industry

Why steel favors employee representation plans and is opposed to professional labor unions. *American Iron and Steel Institute*, June, 1934. 14 pages.

Industrial Economics: *Labor and Capital, Legislation, Wage Theory, Immigration*

Changes in the Cost of Living, January, 1933 to March, 1934

The National Industrial Conference Board index of the cost of living of industrial wage-earners at the low point in April, 1933, was 28.5 per cent below the average level of 1929. Since April, 1933, there has been an upward movement, which by March, 1934, amounted to 9.8 per cent.

The rising trend since the spring of 1933 has been most marked in food and clothing

prices, which advanced 20 per cent and 28 per cent, respectively.

Rents continued to decline practically throughout 1933 to a point 31.8 per cent below the 1929 level, and turned upward in 1934.

The cost of fuel and light has advanced very slightly, 1.5 per cent, in the interval since March, 1933. The cost of sundries as a whole, likewise, increased moderately, 3.2 per cent, over the 1933 low, although

some of the component items, notably housefurnishings, rose rather markedly. The declines since 1929 in the costs of fuel and light and sundries, however, were considerably less than the declines in the costs of the other major items. *National Industrial Conference Board Memorandum No. 31*, May 16, 1934. 11 pages.

Social Insurance in the Soviet Union

The system, which is based entirely on contributions from the state and from the various economic organizations, has set its 1934 budget at 5,050,000,000 rubles. Of this sum over a billion and a half will be expended on pensions and a billion rubles on medical care. The number of workers covered by the system increased from 9,674,000 in 1927-29 to 22,600,000 in 1932-99 per cent of the total number of workers. Previously administered by the Commissariat of Labor with the collaboration of the trade unions, the immense fund is now handled directly by the trade unions. No contributions are paid by the insured workers. The expenditures include the following items: temporary disability benefits, pensions, medical care, sanitarium and rest home care, special dietetic treatment, housing for workers, and children's institutions. *Economic Review of the Soviet Union*, May, 1934, p. 114:2.

Shop Methods: Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study

Cost, Health, and Safety Said, "Conveyorize." Solar Did

Lower costs were, of course, one of the factors which led the Solar Corporation, when it moved to a new plant in Milwaukee, to install mechanical equipment for handling its storage batteries in process. The use of conveyors, shortening the number of steps the heavy lead batteries have to be moved, has substantially reduced the cost and confusion of manual transportation. Where the organization was hard pressed to get out each day's schedule with

Employment, Hours, Earnings, and Production Under the NRA

Reductions in average working hours per week and increases in average hourly earnings are among the outstanding features of recent industrial trends. In manufacturing industries reporting to the Bureau of Labor Statistics, average hours per week were 15 per cent lower in March, 1934, than in July, 1933, and average hourly earnings were 26 per cent higher. The Bureau's index of employment was 13 per cent higher and its index of payrolls was 27 per cent higher in March, 1934, than in July, 1933, although the Federal Reserve Board's index of production was 12 per cent lower. These and related facts regarding the trends in manufacturing industries, in manufacturing and non-manufacturing industries combined, and in certain separate industries, with particular reference to the period of code operation, are presented in this article. By Witt Bowden. *Monthly Labor Review*, May, 1934, p. 1013:19.

An Adventure in Education for the Unemployed

A report and comment on two six weeks' sessions of a free school for the unemployed. *Ohio State University*, October, 1933. 45 pages.

the previous set-up, an only slightly augmented crew now turns out 400 per cent of hand production capacity with ease.

There is a risk to health in the lead trades. Although the use of respirators and other health measures are enforced, and while the company, by care and regular health examinations and blood tests, has controlled and minimized the danger so far as it can be controlled, it was felt that wherever human contact with lead and lead oxides could be avoided it should be done. Conveyorization has substantially reduced

the dangerous incidental and regular contacts of men with lead.

The article is accompanied by illustrations of the entire conveyor set-up. By F. F. Stoll. *Factory Management and Maintenance*, June, 1934, p. 245:4.

Mechanical Handling in a Multi-Story Tire Factory

Prior to about five years ago, the largest number of tires ever built in one day in the Detroit plant of the U. S. Rubber Company had been 15,000 and this was considered the capacity of the plant. The present capacity of the same plant, which has not been enlarged at all, is 30,000 tires a day and it is believed that this will eventually be increased to an even higher figure. During the same period and due to the same causes, direct processing costs have been correspondingly reduced. These notable results have been achieved by reorganizing practically the entire factory and making almost innumerable changes, but the improvements have been due chiefly to two major factors: improved methods of manufacture and a complete revision of the entire system of materials handling.

This article is devoted chiefly to the second of these two factors. By D. G. Baird. *Mill & Factory*, June, 1934, p. 41:6.

Made to Order, but Built on the Line

A description of the adaptation of line-production methods to the manufacture of machine tools by the Cincinnati Grinders Incorporated. By W. Peaslee. *Factory Management and Maintenance*, June, 1934, p. 258:3.

How to Make a Lubrication Survey

A lubrication survey of the plant machinery will often bring out sources of savings that had not been thought of or considered before. Control of lubrication is important, and should be studied to determine whether more efficient methods can be used.

The operating data secured by inspection, together with the records of lubrication and

maintenance costs, should be studied and recommendations for improvements outlined. From a lubrication standpoint, parts requiring lubrication are studied under three general headings: 1. Parts using grease; 2. Parts using oil applied by all-loss methods, such as hand oiling, drop-feed, or wick-feed oilers, where the lubricant is not recovered; 3. Parts using the same oil repeatedly, such as ring-oiled bearings and machines or gears equipped with splash or circulation systems, where a long period of service is expected from each charge of oil. By L. Ballard. *Factory Management and Maintenance*, June, 1934, p. 272:4.

Absolute Records Prove the Superiority of Specialized Operation Departments

So complex is the business of manufacturing elevators that the A. B. See Electric Elevator Company must be in absolute control of records of what goes into elevators made by them. The business is complex not only because there are many types of elevators, but also because of the rapidity with which the requirements for each type change. The shop manager details in this article the system of records which proved the superiority of specialized operation departments over the "little shops" method and enables the company to lay their hands instantly on the complete specifications of any job they have installed for more than thirty years. By O. W. Lindstrom. *Mill & Factory*, June, 1934, p. 28:6.

They Bought to Save

In concentrating all its manufacturing operations in one location, the Apex Electrical Manufacturing Company, had as a primary motive to effect substantial reductions in costs through the modernizing of equipment, the changing of some shop methods and materials, and the revision of plant layout. The additional capital investment involved is resulting directly in a lowered production expense—which, in turn, is commencing to make itself felt in

greater earnings. By Leonard Church. *Factory Management and Maintenance*, June, 1934, p. 256:2.

Handling Small Lots on a Centerless Grinding Machine

The Monarch Machine Tool Company has found it profitable to grind small lots of from twelve to six hundred pieces by the

centerless method. At this plant a comparative time-study analysis has been made, showing the total savings for each lot of parts, as compared with methods previously used. A chart of this time-study analysis showing a saving of 228 hours on fifty-seven parts is illustrated. By Charles M. Reese. *Mill & Factory*, June, 1934, p. 46:2.

MARKETING MANAGEMENT

Man to Man

Some views on human relationships as expressed by the President, Georgia Power Company, who believes that confusion, unpleasantness, distrust and strife arise not out of malicious intent, but almost invariably from a lack of understanding. "What needs to be cultivated among men interested in social relationships whether as owner, manager or employee, producer or consumer, seller or buyer, partner or competitor, is self-control, refraining from unfair advantage, determination to give value as well as to take it; the appreciation that immediate gain is not the principal consideration; that one group cannot continue to profit at the expense of another without eventual loss to both; that all classes of men are mutually dependent on the services of each other; that the best service yields the greatest profit." An Interview with Preston S. Arkwright. *The Red Barrel*, May 15, 1934, p. 6:4.

Personnel—The Keystone of the Chain Store Structure

"Personnel is the least controllable, and perhaps the most vital factor, in any business which needs human beings on the payroll," states the author, Assistant General Manager, The Ernest Wilson Company. "The possibilities for training employees so that they want to help the firm and help themselves to be more successful are legion." The following factors are pointed to as necessary in an efficient personnel set-up: 1. Capable managers and

assistants who will help to vitalize plans; 2. A logical working plan of business control; 3. Proper application of store regulations culled from experience; and 4. Ability to probe far enough under surface appearances to find the best method of upholding store standards and holding that method in reserve for future use. By Paul Staniford. *Chain Store Age*, (Grocery Edition), May, 1934, p. 94:4.

Utilizing Research to Stabilize an Industry

The General Manager, California Fruit Growers Exchange, describes and cites examples of the four distinct types of research activity in which the Exchange has engaged: 1. Marketing and distribution surveys in the field; 2. Dietetic research; 3. By-product studies; and 4. Cultural and packing investigations. He shows what these studies have accomplished for grower and consumer. By Paul S. Armstrong. *Executives Service Bulletin*, June, 1934, p. 1:4.

This Consumer Revolt and How to Meet It

Indications that the consumer revolt is well on its way may be found in the spreading educational campaigns of high schools, colleges, and educational societies throughout the country, points out the author, who looks to the trade associations to present the manufacturer's side of the story. "The association movement has accepted plenty

of challenges in the past, but in the present day of consumer propaganda, it faces perhaps one of the greatest challenges that has been put up to American business. Working cooperatively through trade associations, American manufacturers can do a tremendous job of education. If trade associations were to make a thorough survey of consumer propaganda, most consumers and manufacturers would benefit tremendously." By C. B. Larrabee, *Printers' Ink*, April 19, 1934, p. 7:3.

Price Stabilization

Recent code conferences in Washington form the background of this discussion on the subject of Drug Trade Practices—past,

present and future—by the President of the Liggett Drug Company. "My recent contacts with other chain store executives, in connection with the drug code and the drug institute, have convinced me that at least 90 per cent of them want to see a stop put to extreme price cutting," he states. "I feel that it can be safely and accurately stated that there is a constantly growing sentiment in every department of the drug industry to completely eliminate the predatory, senseless price cutter from legitimate distribution." The value of concerted effort directed by various drug store associations against unjust and discriminatory legislation is stressed. By George M. Gales, *The Red Barrel*, April 15, 1934, p. 2:4.

Sales Promotion: Letters, House Organs, Advertising

"Hooks" That Help Sales Letters Produce

"Hooks" in business letters increase response from a small fraction of 1 per cent up to two, three and four times the results usually obtained from a letter without such inducements, points out the author, who bases his conclusions on the actual experiences of manufacturers in selling to dealers. Seven mail order "hooks" recommended for consistent use in sales literature to dealers are: *For attention*: 1. Letter for attention; enclosure for selling; 2. Sales idea for meeting dealers' common difficulty; 3. Message presented in magazine story form; 4. Arrow, script memo, and paragraph checks, in red; *For confidence*, 5. Garage owner's experience told in his own words; 6. Prestige borrowed from magazine; and *for action*, 7. Sales formula appeal to rivalry and imitation instincts. By William T. Laing. *Printers' Ink*, April 19, 1934, p. 57:4.

Buying Habits of the Public

A discussion of the buying habits and the factors that help to determine the customer's choice, with emphasis placed on the importance of the human element in retail selling.

The author, Vice-President and Secretary, Crown Drug Company, points out that a pleasing personal appearance, a pleasant facial expression, and an agreeable voice are necessary selling tools of the person who contacts the public. "One definition of personality reads 'a sales and advertising department of the human being,'" he states. "I like to look on the human being as an institution definitely producing something, definitely advertising something and definitely selling something." Other factors valuable in securing and retaining customers are, it is pointed out, an ability to remember names and faces, a faculty for diplomatic conversation, enthusiasm about the merchandise displayed or sold, and a sympathetic, friendly attitude toward the customer. By C. M. Watkins. *The Red Barrel*, May 15, 1934, p. 22:7.

How Our Managers Help Spread Facts About Chain Stores

The "straight-from-the-shoulder" job of the chain store industry in educating the public on chain store practices is discussed by the Vice-President of The Kroger Grocery & Baking Company. Pointing out that protection against discriminatory taxa-

tion can be obtained only from the public, he says: "Mr. and Mrs. John Public must in these days be made more conscious of how chains do lower the cost of living, how they do fill a definite need in present-day distribution. Through this the consumer must be led to see how such discriminatory store and sales taxes affect the home." Steps in this campaign are: contacting the customer in the store; the use of printed messages on sales slips; advertisements designed for the farmer's attention and activity and cooperation in community affairs on the part of the local managers. By C. O. Sherrill. *Chain Store Age* (Grocery Edition), May, 1934, p. 31:3.

Nationally Advertised Brands Must Have Quality

Nationally advertised brands, through consistent advertising designed to sell the product over a period of many years and to build and maintain a worthy reputation for the manufacturer, must of necessity maintain high standards, in the opinion of

the author, who discusses relative merits of private and nationally advertised commodities. The article points out that enormous expenditures are involved in creating consumer demand for a brand name, and that lowering of quality and subsequent loss of consumer good will would be suicidal to a manufacturer of nationally-known products. In regard to consumer acceptance, the author says: "The economies which advertising brings into distribution have to deal with minimizing the enormous cost of consumer indecision. The turnover is from three to ten times as great on an advertised drug or cosmetic as it is on a product presented to the consumer by other means. The time required by a sales transaction is typically only half as great on advertised as on non-advertised products."

Figures pertaining to expenditures and practices of several manufacturers of nationally-advertised products are quoted. By G. S. McMillan. *The Red Barrel*, April 15, 1934, p. 6:5.

Salesmen: Selection, Training, Compensation

How International Shoe Salesmen Learn Their Strong and Weak Points

Through a plan recently put into use at the general offices of the International Shoe Company, every salesman of the Roberts, Johnson and Rand branch of the organization is shown exactly where he fell down last year and exactly where his work showed the best results. On a simple, concise form, information is recorded that enables the salesman to find out needed facts about his own territory. This analysis, which consists of a record of every account the salesman sells, is classified by volume groups. A section of the record reveals the total shipments to each group, while another shows the percentage of the salesman's total volume sold to each classification. Specific examples are cited by the author, who advises the salesman: "See where your time goes, check up to learn if you are doing 87 per cent of your

work to obtain only 29.5 per cent of your business." By John Garth. *The American Salesman*, March, 1934, p. 5:6.

Salesmen Are People

Capitalizing on the human element is more resultful than too much system, is the belief of the J. A. Folger & Company, sponsors of a "Bond of Loyalty" campaign among its sales force. One method of fostering loyalty is by correspondence that appeals to the human side of the salesman. "A good salesman has personal magnetism and a personality that reflects human understanding and begets confidence. For these reasons, it is only logical to assume that a sales manager can do a better job of sales direction by using the same kind of psychology in personalized sales letters, instead of bulletin forms, charts and circulars." The preparation of lengthy forms and charts should be detailed to the office

staff, it is pointed out, thus reducing reports required from the salesman to a minimum. By Frank Atha. *Printers' Ink*, May 3, 1934, p. 49:3.

A Sales Manager's Responsibility to His Men

"As his title implies, a sales manager's first responsibility is to manage salesmen," states the Vice-President and Sales Manager, Clarke Sanding Machine Company. "And managing salesmen under present conditions involves close supervision, constant education, and a keen personal inter-

est in each man's individual work." Three new methods have been devised by the Clarke Sanding Machine Company in connection with their new sales supervision program: 1. Daily work plan, which covers all calls made by the salesman; 2. Individual call report, a record of actual demonstrations only, and 3. Working efficiency form, which enables the salesman to place a fair valuation on his own work. These three reports, it is pointed out, are initial steps in a campaign to cultivate the habit of planning and organizing for the future. By Richard Slayter. *The American Salesman*, February, 1934, p. 5:3.

Books Received

Studies on Industrial Relations—II. International Labour Office. World Peace Foundation, Boston, 1932. 162 pages. \$2.00.

Summoning America to Work. By William S. Hanbury. Wetzel Publishing Company, Los Angeles, 1933. 80 pages. \$1.00.

We the People. By Roy F. Bergengren. Stratford Company, Boston, 1932. 404 pages. \$2.00.

A New Deal. By Stuart Chase. Macmillan, New York, 1932. 257 pages. \$2.00.

Recognition of Soviet Russia. Compiled by E. C. Buehler, B. W. Maxwell, George R. R. Pflaum. H. W. Wilson Co., New York, 1931. 387 pages. \$2.40.

A Guide Through World Chaos. By G. D. H. Cole. Alfred A. Knopf, New York, 1932. 554 pages.

Out of the West. By Rufus Rockwell Wilson. The Press of the Pioneers, New York, 1933. 452 pages. \$3.75.

American Agricultural Villages: 1930. By Irving Lorge under the direction of Edmund de S. Brunner. American Statistical Association, New York, 1933. 133 pages. \$1.00.

The State Income Tax. By Roy G. Blakey. University of Minnesota Press, Minneapolis, 1932. 88 pages. \$1.00 (cloth).

Current Municipal Problems. By Ernest S. Griffith. Houghton Mifflin Company, Boston, 1933. 293 pages.

Organizations in the Field of Public Administration. A Directory. Public Administration Clearing House, Chicago, 1932. 203 pages. \$1.00.

A Personnel Manual. The Personnel Function in Non-Technical Language for the Use of Y. W. C. A. Leaders. By Jessamine C. Fenner. The Womans Press, New York, 1933. 51 pages. 50¢.

The Philadelphia Upholstery Weaving Industry. By C. Canby Balderston, Robert P. Brecht, Miriam Hussey, Gladys L. Palmer and Edward N. Wright. University of Pennsylvania Press, Philadelphia, 1932. 231 pages. \$2.50.

Purchasing Policies and Practices of Chain Drug Companies. By Ernest F. Witte. University of Chicago Press, Chicago, 1933. 93 pages. \$1.00.

Report of a Research Into the Attitudes and Habits of Radio Listeners. By Clifford Kirkpatrick. Webb Book Publishing Company, St. Paul, 1933. 63 pages.

A Finding and Broadening Course in Public Speaking. By Eugene S. Briggs and Vocille M. Pratt. Christopher Publishing House, Boston, 1933. 103 pages. \$1.25.

The Federal Securities Act Manual. By George C. Thorpe, Challen B. Ellis. W. H. Anderson Co., Cincinnati, 1933. 422 pages.

New Business for the Trust Department. By Theodore Tefft Weldon. Bankers Publishing Company, New York, 1933. 468 pages.

No More War on Foreign Investments. By Dr. F. W. Bitter and Dr. A. Zelle. Dorrance & Company, Philadelphia, 1933. 86 pages. 75¢.

International Planning of Public Works. By T. G. Spates. Geneva Research Center. World Peace Foundation, Boston, 1932. 24 pages. One Swiss franc, or 25¢ (postpaid).

The Agricultural Emergency in Iowa. By the Staff in Economics at Iowa State College. Collegiate Press, Inc., Ames, Iowa, 1933. 201 pages. 75¢.

Mid-West Farm Building Plan Service. Iowa State College, Ames, 1933. 94 pages.

Survey of Books for Executives

Depression and Recovery. By Dale Yoder and George R. Davies. McGraw-Hill Book Co., New York, 1934. 298 pages. \$2.00.

A summary of the most important aspects of economic disorganization in the depression and a description of some of the devices created in the recovery campaign as means of furthering reconstruction. The study presents first, a brief statement with respect to the nature and history of depressions; second, a somewhat analytic description of the more important phases of the depression that followed 1929, noting especially the disintegration of credit and prices, consumption, and production; and, third, a short summary of the most important devices now being utilized in efforts to accomplish reconstruction together with a reference to the economic implications inherent in these devices.

Money. By Francis W. Hirst. Scribner's, New York, 1934. 300 pages. \$2.00.

According to the author, "This book is not intended as a tract for the times. . . . What I set out to accomplish . . . was a critical history of money from the earliest times down to the present year, using language intelligible to all. . . ."

The first six chapters relate to the history of money; Chapter VII discusses "The Dollar," Chapter VIII "The Pound Ster-

ling," then follow chapters on "Silver and Silver Prices," "The Quantity Theory of Money," "Foreign Monies and Their Values in Exchange," "Bank Money and Paper Money" and finally, "Monetary Reform and Ideal Currencies."

Romantic Copper—Its Lure and Lore.

By Ira B. Joralemon. D. Appleton-Century Co., New York, 1934. 294 pages. \$3.00.

A mining engineer gives in this book some of the incidents in copper history that do not appear in technical histories or in the official records of the copper industry. The author is hopeful about the future of the copper industry, "When the gates of prosperity once more swing open, the unsold stacks of copper that seem so great will vanish before the miners realize what is happening. . . . Engineers and geologists will once more comb the far ends of the earth for a new Roan Antelope or another Chile Copper."

Miners and Management. By Mary van Kleeck. Russell Sage Foundation, New York, 1934. 391 pages. \$2.00.

An analysis of the problem of coal in the United States based on a study of the collective agreement between the United Mine Workers of America and the Rocky Mountain Fuel Company.

Der Stand und die Naechste Zukunft der Konjunkturforschung. Festschrift fuer Arthur Spiethoff. Duncker und Humblot, Muenchen, 1933. 320 pages.

This is a symposium of 63 scholars from many countries, with a preface by Professor Joseph A. Schumpeter (Harvard). The book is dedicated to Professor Arthur Spiethoff at the University of Bonn (Germany) in honor of his sixtieth birthday. Professor Spiethoff is one of the very few living authorities in the field of cyclical economic fluctuations who has done really outstanding and lasting work. Each of those who have joined in this book to honor him, inspired by and in view of his own work, brings out in a short article of a few pages what he thinks about the present state and the near future of research in cyclical economic fluctuations. The account thus given in the book constitutes a very colorful picture of one of the most important problems in economic science. Needless to say, notwithstanding agreement among some of the authors on some of the questions raised, opinions and beliefs expressed by these authors fluctuate within a wide range. The book, which should be read not only by scientists, brings home to us how much still remains to be done in this important field and where the next points of departure may be. A not inconsiderable portion of these studies cannot be carried through without the help of business itself. It may learn from this book how much research and study are still necessary with regard to a problem that is of utmost importance to it.

OTTO NATHAN,
Princeton University.

The Veterans' Administration—Its History, Activities and Organization. By Gustavus A. Weber and Laurence F. Schmeckebier. Brookings Institution, Washington, 1934. 490 pages. \$2.50.

In this book the pensions, compensation, allowances and other methods of relief for persons in the military and naval services in all wars and during peace-time enlistments are described in detail.

The history of relief legislation for veterans of each war is discussed, followed by an account of the developments from 1921 to 1933.

What Is Money? By Victor S. Clark. Houghton Mifflin Company, Boston, 1934. 88 pages. \$1.00.

This book is avowedly intended for the lay reader. It is an elementary and simplified treatment of a number of monetary questions of the present time.

Unemployment Funds. By Hugh H. Wolfenden. Macmillan Company of Canada, Limited, Toronto, 1934. 229 pages. \$2.00.

The purpose of this study of unemployment insurance and the types of funds for the financial assistance of the unemployed is "to extract from many methods the sound principles of each, and, conversely, to point out departures from such principles." The different schemes and plans that have been tried out in the United States, Europe, and Canada are analyzed and their strength and weaknesses pointed out. The author visualizes the wide ramifications and implications any scheme of unemployment insurance involves.

The basic principles are explained first; each method of providing funds for use in periods of unemployment, whether the method is actually in operation or has merely been proposed, is then discussed and classified; the applicability and limitations of the principles of "compensation," "insurance," "reserves," "savings," and "relief" are analyzed and compared; the philosophies which underlie them are examined; and finally certain features are summarized and brought together in a proposal which, the author believes, might avoid many of the formidable difficulties which have beset existing methods.

"One distinguishing characteristic of this general proposal is that, whereas the employer, the employee, and the state all contribute, they do so in three different ways, to three separate and yet related funds.

There is no indiscriminate pooling of their several contributions; the interests and rights of each of the three parties are perfectly clear; there should be little temptation for the employer to take advantage of his position, or for the employee to malingering or press for relaxation in the conditions or increases in the benefits; nor is the state placed in the position of providing a supposedly inexhaustible fund upon which all may draw with impunity. There should consequently be less danger of abuses appearing in the scheme, for its principles will have the effect of encouraging the employer, the employee, the state officials, and the taxpayers to work in harmony and sympathy, rather than with the selfish manoeuvres for advantage which so frequently endanger plans of this kind and constitute so fertile a ground for the activities of agitators."

The Theory of Wages. By Paul H. Douglas. Macmillan, New York, 1934. 639 pages. \$5.00.

This book is a Hart, Schaffner and Marx prize essay. The original manuscript was first submitted in 1926 and has since been subject to seven years of revision and further preparation. It analyzes the way in which wages are fixed under equilibrium conditions and develops the theory of production. From an inductive study of the changes in quantity of labor, capital and production in the United States, Massachusetts and New South Wales, it attempts to measure the respective contributions to production by capital and labor and the marginal productivities of each. It goes on to measure the degree to which the processes of distribution follow those of production.

The author also measures the effect of changes in the rate of wages upon the number of hours worked and the proportion of workers gainfully employed. The inter-relationship between changes in real wages and the rate of population growth is explored. In addition to considering the supply curve of labor, the supply curves of

capital and natural resources are examined. From the inductive study of both the productivity and the supply functions, an inductive theory of distribution is worked out.

The book contains 91 charts, 103 tables and a bibliography of 55 pages.

The Economics of Air Mail Transportation. By Paul T. David. Brookings Institution, Washington, 1934. 235 pages. \$2.00.

A history of air mail transportation from its inception in 1911 to the present day, disclosing the underlying causes of the recent air mail controversy.

It gives the cost and results of Government operation of the air mail, describes the results attained by the Contract Mail Service, and analyzes the huge deficit incurred by the Government in connection with the air mail service.

The author presents a series of recommendations designed to bring about efficient, economical administration of the air mail system, and offers a program for the future.

What Marx Really Meant. By G. D. H. Cole. Alfred A. Knopf, New York, 1934. 309 pages. \$2.00.

Marx wrote his most important works in an economic era greatly different from that of today. The Marxian theory should, therefore, Mr. Cole feels, be restated in present day terms. Marx himself insisted so strongly on the relativity of economic and political truth that it would be un-Marxian to regard his doctrines as a closed system. Allowing for the structural changes in society since Marx's day, the author of this study applies the method of Marx to the problems of the modern economic world, and he discusses in the light of the Marxian analysis, the changes that have taken place in capitalistic society, the emergence of Russian Communism and of Fascism and Nazism, the theory of value and surplus value the materialistic conception of history, and the Marxian dialectic.